

MFL MARMAC COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2014

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MFL MARMAC COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2013 Election)

Patty Burkle	President	2015
Gina Roys	Vice President	2013
Brian Meyer	Board Member	2013
Sharon Greener	Board Member	2015
Tony Neil	Board Member	2015
Josh Grau	Board Member	2013
Jonathon Moser	Board Member	2013

(After September 2013 Election)

Patty Burkle	President	2015
Gina Roys	Vice President	2017
Brian Meyer	Board Member	2017
Sharon Greener	Board Member	2015
Tony Neil	Board Member	2015
Josh Grau	Board Member	2017
Jonathon Moser	Board Member	2017

School Officials

Dr. Dale Crozier	Superintendent
Cindy Koons	District Secretary/Treasurer

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
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(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
MFL MarMac Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of MFL MarMac Community School District, Monona, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of MFL MarMac Community School District as of June 30,

2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MFL MarMac Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2015 on our consideration of MFL MarMac Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering MFL MarMac Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

MFL MarMac Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 Financial Highlights

General Fund revenues increased from \$7,941,950 in fiscal 2013 to \$8,374,600 in fiscal 2014, while General Fund expenditures increased from \$8,144,501 in fiscal 2013 to \$8,699,124 in fiscal 2014. The District's General Fund balance decreased from \$515,137 in fiscal 2013 to \$278,645 in fiscal 2014.

The district's Solvency Ratio has dropped in recent years, however much of this drop was deliberate, as the district decided to carry significantly less cash in the general fund, and was preparing for spending in other funds. In FY 15 the district is putting more cash into the general fund to increase solvency.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of MFL MarMac Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report MFL MarMac Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which MFL MarMac Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major Funds.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-1 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: such as food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, and deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are

accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements: The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds. not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds; the School Nutrition Fund and Preschool Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.

Agency Funds . These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary net Position.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-2 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013

Figure A-2

Condensed Statement of Net Position							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
	\$	\$	\$	\$	\$	\$	
Current and other assets	9,826,688	9,014,972	36,296	72,806	9,862,984	9,087,778	-8%
Capital assets	5,452,870	6,014,419	40,137	35,804	5,493,007	6,050,223	10%
Total assets	15,279,558	15,029,391	76,433	108,610	15,355,991	15,138,001	-1%
Long-term liabilities	4,480,821	4,307,667	82,886	100,219	4,563,707	4,407,886	-3%
Other liabilities	1,738,941	1,310,119	484	-	1,739,425	1,310,119	-25%
Total liabilities	6,219,762	5,617,786	83,370	100,219	6,303,132	5,718,005	-9%
Deferred inflows of resources	3,209,218	3,481,271	8,274	9,530	3,217,492	3,490,801	8%
Net Position:							
Net investment in capital assets,	2,411,038	3,174,419	40,137	35,804	2,451,175	3,210,223	31%
Restricted	4,125,719	3,978,856	-	-	4,125,719	3,978,856	-4%
Unrestricted	(686,179)	(1,222,941)	(55,348)	(36,943)	(741,527)	(1,259,884)	-70%
TOTAL NET POSITION	5,850,578	5,930,334	(15,211)	(1,139)	5,835,367	5,929,195	2%

The District's combined net position increased by nearly 2%, or \$93,828, over the prior year. The second largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$146,863 or 4% over the prior year.

Unrestricted net position . the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements . decreased \$518,357, or 70%. This decrease in unrestricted net assets is a beginning result of decreased revenues for the future. This problem will continue until enrollment trends balance. A deliberate and specific maximization of restricted net assets will also contribute to long-term financial solvency.

Figure A-3 shows the change in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-3

Figure A-5

	Change in Net Position						Percentage Change 2013-2014
	Governmental Activities		Business-type Activities		Total School District		
	2013	2014	2013	2014	2013	2014	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	616,925	627,657	203,089	240,247	820,014	867,904	6%
Operating grants & contributions	1,308,004	1,352,903	248,312	237,620	1,556,316	1,590,523	2%
Capital grants & contributions	-	-	-	-	-	-	-
General Revenues:							
Property taxes	3,194,951	3,216,425	-	-	3,194,951	3,216,425	1%
Income Surtax	298,779	328,398	-	-	298,779	328,398	10%
Statewide sales service & use tax	684,891	699,679	-	-	684,891	699,679	2%
Unrestricted state grants	3,565,423	3,635,031	-	-	3,565,423	3,635,031	2%
Unrestricted investment earnings	17,594	8,682	28	13	17,622	8,695	-51%
Other revenues	2,604	86,330	-	-	2,604	86,330	3,215%
Total Revenues	9,689,171	9,955,105	451,429	477,880	10,140,600	10,432,985	3%
Expenses:							
Instruction	6,179,141	6,265,014	-	-	6,179,141	6,265,014	1%
Support services	2,738,807	2,807,220	-	-	2,738,807	2,807,220	2%
Non-instructional programs	-	-	522,520	463,808	522,520	463,808	-11%
Other expenditures	522,291	803,115	-	-	522,291	803,115	54%
Total expenses	9,440,239	9,875,349	522,520	463,808	9,962,759	10,339,157	4%
Contributed capital	-	-	28,925	-	28,925	-	-100%
CHANGE IN NET ASSETS	248,932	79,756	(42,166)	14,072	206,766	93,828	-55%
Net position beginning of year	5,601,646	5,850,578	26,955	(15,211)	5,628,601	5,835,367	4%
Net position end of year	5,850,578	5,930,334	(15,211)	(1,139)	5,835,367	5,929,195	2%

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$9,955,105 and expenses were \$9,875,349.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4

Total and Net Cost of Governmental Activities

	Total Cost Of Services 2013	Total Cost of Services 2014	Net Cost of Services 2013	Net Cost Of Services 2014
	\$	\$	\$	\$
Instruction	6,179,141	6,265,014	4,579,813	4,648,882
Support Services	2,738,807	2,807,220	2,731,647	2,771,788
Non-instructional	-	-	-	-
Other Expenses	522,291	803,115	203,850	474,119
TOTAL	<u>9,440,239</u>	<u>9,875,349</u>	<u>7,515,310</u>	<u>7,894,789</u>

The cost financed by users of the District's programs was \$627,657.

Federal and state governments subsidized certain programs with grants and contributions totaling \$1,352,903.

The net cost of governmental activities was financed with \$4,244,502 in property and other taxes and \$3,635,031 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$477,880 and expenses were \$463,808. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, MFL MarMac Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,949,654, below last year's ending fund balances of \$4,589,743.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors.
- The General Fund balance decreased from \$515,137 to \$278,645, due in part to a gradual decline in enrollment.

- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.
- The Physical Plant and Equipment Levy account balance increased from \$705,792 at June 30, 2013 to \$896,471 at June 30, 2014.
- The Statewide Sales Tax account balance decreased from \$1,857,474 at June 30, 2013 to \$1,524,703 at June 30, 2014.
- The Management Fund balance decreased from \$1,191,442 to \$936,291. This is an anticipated decrease, however the fund is still very healthy. The purpose of this cash balance is to prepare for the numerous anticipated early retirements, in which the district will then save money in the general fund.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$(16,262) at June 30, 2013 to \$(27,510) at June 30, 2014, representing a decrease of 69%. The Preschool Fund net position increased from \$1,051 at June 30, 2013 to \$26,371 at June 30, 2014 representing an increase of 2,409%. The district has continued to utilize the food cooperative offered by AEA 1.

BUDGETARY HIGHLIGHTS

The District's receipts were \$1,108,930 less than budgeted receipts.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. During the year the District adopted one budget amendment that increased budgeted expenditures by \$1,625,500. Expenditures did not exceed the amended amounts budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-5 More detailed

information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$335,283.

Figure A-5

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	1,861,978	-	-	-	1,861,978	-	-100%
Buildings	2,365,738	4,695,142	-	-	2,365,738	4,695,142	98%
Improvements	334,346	334,518	-	-	334,346	334,518	>1%
Equipment & Furniture	880,808	974,759	40,137	35,804	920,945	1,010,563	10%
TOTAL	5,452,870	6,014,419	40,137	35,804	5,493,007	6,050,223	10%

Long-Term Debt

At June 30, 2014, the District had \$4,405,615 in total long-term debt outstanding. This represents a decrease of 4% from last year. (See Figure A-6) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-6

Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2013	2014	2013-2014
	\$	\$	
Governmental activities:			
Revenue bonds	2,990,000	2,840,000	-5%
Capital leases	51,832	-	-100%
Termination benefits	265,177	68,675	-74%
Net OPEB liability	1,171,390	1,396,721	19%
	4,478,399	4,305,396	-4%
Business type activities:			
Net OPEB liability	82,886	100,219	21%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

School financing is highly dependent upon student enrollment. The District's September 2014 enrollment has decreased slightly over 2013, however it has decreased over 25% since 2001. The district can anticipate this trend to continue. Enrollment is expected to decline over the next several years to about 750 students. This additional decline will cause the district to lose extensive additional funding. The district must continue to reduce staff in order to prepare for this decline.

The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be purchased in 2014 at a cost of \$90,000.00, one bus was purchased. This is in addition to bus that was purchased in 2013 at the same cost, and two busses that were leased. To pay for these busses the District will use the Physical Plant and Equipment Levy Fund.

Fiscal year 2014 was the second year of a three-year contract with the MFL MarMac Education Teacher Association (MEA). Settlements shall be based on a total package average.

The district's infrastructure needs are repaired and sound. This should help the economy of the district. The district used the sale of SILO sales tax revenue bonds to engage in an overall school and grounds improvement project. This includes a 330-seat auditorium, a replacement of the electrical system, parking lot and grounds improvements, and other improvements voted by the public in the revenue purpose statement. The aim of this project is to create long-term economic impact, and future stability for the district and its educational opportunity. The projects above were completed in 2013 and 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Dale R. Crozier, Superintendent, MFL MarMac Community Schools; 700 South Page, Monona, Iowa, 52159. 563-539-4795

BASIC FINANCIAL STATEMENTS

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	4,577,448	45,576	4,623,024
Cash with fiscal agent	217,475	-	217,475
Receivables:			
Property tax:			
Delinquent	53,947	-	53,947
Succeeding year	3,481,271	-	3,481,271
Accounts	17,690	22,829	40,519
Due from other governments	639,348	-	639,348
Inventories	-	4,401	4,401
Unamortized bond issue costs	27,793	-	27,793
Capital assets, net of accumulated depreciation	6,014,419	35,804	6,050,223
Total assets	15,029,391	108,610	15,138,001
Liabilities			
Bank overdrafts	932,187	-	932,187
Accounts payable	80,396	-	80,396
Salaries and benefits payable	265,541	-	265,541
Accrued interest payable	31,995	-	31,995
Long-term liabilities:			
Unamortized bond premium	2,271	-	2,271
Portion due within one year:			
Revenue bonds payable	150,000	-	150,000
Termination benefits	58,235	-	58,235
Portion due after one year:			
Revenue bonds payable	2,690,000	-	2,690,000
Termination benefits	10,440	-	10,440
Net OPEB liability	1,396,721	100,219	1,496,940
Total liabilities	5,617,786	100,219	5,718,005
Deferred Inflows of Resources:			
Succeeding year property tax	3,481,271	-	3,481,271
Other	-	9,530	9,530
Total deferred inflows of resources	3,481,271	9,530	3,490,801

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net position			
Net investment in capital assets	3,174,419	35,804	3,210,223
Restricted for:			
Categorical funding	269,452	-	269,452
Management levy	867,616	-	867,616
Physical plant and equipment levy	1,035,536	-	1,035,536
Student activities	131,548	-	131,548
School infrastructure	1,524,703	-	1,524,703
Debt service	150,001	-	150,001
Unrestricted	(1,222,941)	(36,943)	(1,259,884)
Total net position	<u>5,930,334</u>	<u>(1,139)</u>	<u>5,929,195</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,737,272	260,459	605,351	-
Special	1,012,956	29,564	95,646	-
Other	1,514,786	302,202	322,910	-
	6,265,014	592,225	1,023,907	-
Support services:				
Student	177,305	-	-	-
Instructional staff	110,772	-	-	-
Administration	1,114,531	31,000	-	-
Operation and maintenance of plant	828,691	1,973	-	-
Transportation	575,921	2,459	-	-
	2,807,220	35,432	-	-
Other expenditures:				
Facilities acquisition	249,844	-	-	-
Long-term debt interest	65,883	-	-	-
AEA flowthrough	328,996	-	328,996	-
Depreciation (unallocated)*	158,392	-	-	-
	803,115	-	328,996	-
Total governmental activities	9,875,349	627,657	1,352,903	-
Business type activities:				
Non-instructional programs:				
Food service operations	463,808	214,927	237,620	-
Preschool	-	25,320	-	-
Total business type activities	463,808	240,247	237,620	-
Total	10,339,157	867,904	1,590,523	-
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other revenues				
Total general revenues				

Change in net position

Net position beginning of year

Net position end of year

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$	\$	\$
(2,871,462)	-	(2,871,462)
(887,746)	-	(887,746)
(889,674)	-	(889,674)
<u>(4,648,882)</u>	<u>-</u>	<u>(4,648,882)</u>
(177,305)	-	(177,305)
(110,772)	-	(110,772)
(1,083,531)	-	(1,083,531)
(826,718)	-	(826,718)
(573,462)	-	(573,462)
<u>(2,771,788)</u>	<u>-</u>	<u>(2,771,788)</u>
(249,844)	-	(249,844)
(65,883)	-	(65,883)
-	-	-
<u>(158,392)</u>	<u>-</u>	<u>(158,392)</u>
<u>(474,119)</u>	<u>-</u>	<u>(474,119)</u>
<u>(7,894,789)</u>	<u>-</u>	<u>(7,894,789)</u>
-	(11,261)	(11,261)
-	25,320	25,320
-	14,059	14,059
<u>(7,894,789)</u>	<u>14,059</u>	<u>(7,880,730)</u>
2,935,014	-	2,935,014
281,411	-	281,411
328,398	-	328,398
699,679	-	699,679
3,635,031	-	3,635,031
8,682	13	8,695
86,330	-	86,330
7,974,545	13	7,974,558
79,756	14,072	93,828
<u>5,850,578</u>	<u>(15,211)</u>	<u>5,835,367</u>
<u>5,930,334</u>	<u>(1,139)</u>	<u>5,929,195</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2014

	General	Management	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Assets					
Cash, cash equivalents and pooled investments	1,381,508	935,359	2,166,954	311,102	4,794,923
Receivables:					
Property tax:					
Delinquent	48,768	883	4,296	-	53,947
Succeeding year	3,469,213	-	12,058	-	3,481,271
Accounts	15,199	49	-	2,442	17,690
Due from other governments	250,009	-	389,339	-	639,348
Total assets	5,164,697	936,291	2,572,647	313,544	8,987,179
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Bank overdrafts	932,187	-	-	-	932,187
Accounts payable	80,046	-	350	-	80,396
Salaries and benefits payable	265,541	-	-	-	265,541
Total liabilities	1,277,774	-	350	-	1,278,124
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,469,213	-	12,058	-	3,481,271
Income surtax	139,065	-	139,065	-	278,130
Total deferred inflows of resources	3,608,278	-	151,123	-	3,759,401
Fund balances:					
Nonspendable:					
Restricted for:					
Categorical funding	269,452	-	-	-	269,452
Debt service	-	-	-	181,996	181,996
Management levy	-	936,291	-	-	936,291
Student activities	-	-	-	131,705	131,705
School infrastructure	-	-	1,524,703	-	1,524,703
Physical plant and equipment	-	-	896,471	-	896,471
Unassigned	9,193	-	-	(157)	9,036
Total fund balances	278,645	936,291	2,421,174	313,544	3,949,654
Total liabilities, deferred inflows of resources and fund balances	5,164,697	936,291	2,572,647	313,544	8,987,179

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2014

	\$
Total fund balances of governmental funds (Exhibit C)	3,949,654
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,014,419
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	278,130
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	27,793
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(31,995)
Long-term liabilities, including bonds payable, bond premiums, capital leases, termination benefits and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	(4,307,667)
Net position of governmental activities (Exhibit A)	<u><u>5,930,334</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

	General	Management	Capital	Nonmajor	Total
	\$	Levy	Projects	Governmental	\$
Revenues:					
Local sources:					
Local tax	3,053,502	52,608	452,507	-	3,558,617
Tuition	163,086	-	-	-	163,086
Other	170,078	670	3,030	299,476	473,254
State sources	4,709,057	-	699,679	-	5,408,736
Federal sources	278,877	-	-	-	278,877
Total revenues	<u>8,374,600</u>	<u>53,278</u>	<u>1,155,216</u>	<u>299,476</u>	<u>9,882,570</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,659,671	184,145	-	-	3,843,816
Special	983,242	-	-	-	983,242
Other	1,198,076	-	-	304,330	1,502,406
	<u>5,840,989</u>	<u>184,145</u>	<u>-</u>	<u>304,330</u>	<u>6,329,464</u>
Support services:					
Student	169,013	-	-	-	169,013
Instructional staff	105,820	-	-	-	105,820
Administration	1,115,579	-	-	-	1,115,579
Operation and maintenance of plant	688,932	92,309	48,000	-	829,241
Transportation	449,795	31,975	84,298	-	566,068
	<u>2,529,139</u>	<u>124,284</u>	<u>132,298</u>	<u>-</u>	<u>2,785,721</u>
Other expenditures:					
Facilities acquisition	-	-	898,006	-	898,006
Long-term debt:					
Principal	-	-	-	201,832	201,832
Interest and fiscal charges	-	-	-	66,672	66,672
AEA flowthrough	328,996	-	-	-	328,996
	<u>328,996</u>	<u>-</u>	<u>898,006</u>	<u>268,504</u>	<u>1,495,506</u>
Total expenditures	<u>8,699,124</u>	<u>308,429</u>	<u>1,030,304</u>	<u>572,834</u>	<u>10,610,691</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(324,524)</u>	<u>(255,151)</u>	<u>124,912</u>	<u>(273,358)</u>	<u>(728,121)</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

	General	Management Levy	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Compensation for loss of fixed assets	81,381	-	-	-	81,381
Sales of materials and equipment	6,651	-	-	-	6,651
Operating transfers in	-	-	-	267,004	267,004
Operating transfers out	-	-	(267,004)	-	(267,004)
Total other financing sources (uses)	88,032	-	(267,004)	267,004	88,032
Change in fund balances	(236,492)	(255,151)	(142,092)	(6,354)	(640,089)
Fund balances beginning of year	515,137	1,191,442	2,563,266	319,898	4,589,743
Fund balances end of year	278,645	936,291	2,421,174	313,544	3,949,654

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2014

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		(640,089)

***Amounts reported for governmental activities in the
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	892,499	
Depreciation expense	<u>(330,950)</u>	561,549

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.

(13,794)

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

201,832

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

789

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	196,502	
Other postemployment benefits	<u>(225,331)</u>	(28,829)

Bond issue costs are reported as an expense in the governmental fund financial statements when incurred, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.

(1,853)

Bond premiums are reported as revenue in the governmental fund financial statements when incurred, but are amortized over the life of the bonds in the government-wide financial statements.

151

Changes in net position of governmental activities (Exhibit B)

79,756

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2014

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Current assets:	
Cash and cash equivalents	45,576
Accounts receivable	22,829
Inventories	4,401
Total current assets	<u>72,806</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>35,804</u>
Total assets	<u>108,610</u>
Liabilities	
Current liabilities:	
Deferred revenue	<u>9,530</u>
Noncurrent liabilities:	
Net OPEB liability	<u>100,219</u>
Total liabilities	<u>109,749</u>
Net position	
Investment in capital assets	35,804
Unrestricted	<u>(36,943)</u>
Total net position	<u><u>(1,139)</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2014

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>240,247</u>
Operating expenses:	
Non-instructional programs:	
Salaries	152,550
Benefits	93,786
Purchased services	1,018
Supplies	212,121
Depreciation	4,333
Total operating expenses	<u>463,808</u>
Operating income (loss)	<u>(223,561)</u>
Non-operating revenues:	
State sources	3,748
Federal sources	233,872
Interest income	13
Total non-operating revenues	<u>237,633</u>
Change in net position	14,072
Net position beginning of year	<u>(15,211)</u>
Net position end of year	<u><u>(1,139)</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2014

	Nonmajor Enterprise Funds
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	216,228
Cash received from preschool services	23,491
Cash paid to employees for services	(229,003)
Cash paid to suppliers for goods or services	(175,129)
Net cash used by operating activities	<u>(164,413)</u>
Cash flows from non-capital financing activities:	
State grants received	3,748
Federal grants received	195,625
Net cash provided by non-capital financing activities	<u>199,373</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>13</u>
Net increase (decrease) in cash and cash equivalents	34,973
Cash and cash equivalents at beginning of year	<u>10,603</u>
Cash and cash equivalents at end of year	<u><u>45,576</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(223,561)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	38,247
Depreciation	4,333
Decrease (increase) in inventories	(237)
Decrease (increase) in accounts receivable	(1,659)
Decrease (increase) in federal reimbursement receivable	359
(Decrease) increase in accounts payable	(484)
(Decrease) increase in deferred revenue	1,256
(Decrease) increase in other postemployment benefits	<u>17,333</u>
Net cash used by operating activities	<u><u>(164,413)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$38,247 of federal commodities.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014

	<u>Agency</u>
	<u>\$</u>
Assets	
Cash, cash equivalents and pooled investments	179,803
Due from other governments	<u>9,705</u>
Total assets	<u>189,508</u>
Liabilities	
Liabilities:	
Accounts payable	46,822
Other payables	<u>142,686</u>
Total liabilities	<u>189,508</u>
Net position	<u><u>-</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

1. Summary of Significant Accounting Policies

MFL MarMac Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Monona, Farmersburg, Luana, Marquette and McGregor, Iowa and the predominately agricultural territory in a portion of Clayton and Allamakee Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, MFL MarMac Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The MFL MarMac Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District proprietary funds include the Nonmajor Enterprise, School Nutrition and Preschool Funds. These funds are used to account for the operations of both funds.

The District also reports fiduciary funds, which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-25 years
Intangibles	3-10 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources . Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures did not exceed the amounts of the amended budget.

2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This

chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,268 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Moody's Investors Service.

The District also had funds invested in federal funds at Bankers Trust to fund their bond reserve fund.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor, Debt Service Fund	Capital Projects Fund	267,004

These transfers moved revenues from the funds statutorily required to collect the resources to the funds statutorily required to expend the resources.

4. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Construction in progress	1,861,978	491,865	2,353,843	-
Total capital assets not being depr.	1,871,978	491,865	2,353,843	10,000
Capital assets being depreciated:				
Buildings	5,842,589	2,452,722	-	8,295,311
Improvements other than buildings	553,369	35,245	-	588,614
Furniture and equipment	1,894,032	244,337	146,743	1,991,626
Total capital assets being deprec.	8,289,990	2,732,304	146,743	10,875,551
Less accumulated depreciation for:				
Buildings	3,476,851	123,318	-	3,600,169
Improvements other than buildings	219,023	35,073	-	254,096
Furniture and equipment	1,013,224	172,559	168,916	1,016,867
Total accumulated depreciation	4,709,098	330,950	168,916	4,871,132
Total capital assets being depreciated, net	3,580,892	2,401,354	(22,173)	6,004,419

Governmental activities capital assets, net	<u>5,452,870</u>	<u>2,893,219</u>	<u>2,331,670</u>	<u>6,014,419</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	115,343	-	-	115,343
Less accumulated depreciation	<u>75,206</u>	<u>4,333</u>	<u>-</u>	<u>79,539</u>
Business type activities capital assets, net	<u>40,137</u>	<u>(4,333)</u>	<u>-</u>	<u>35,804</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	63,928
Other	-
Support services:	
Student support	3,340
Administration services	15,416
Operation and maintenance of plant services	8,968
Transportation	<u>80,907</u>
	172,559
Unallocated depreciation	<u>158,391</u>
Total depreciation expense . governmental activities	<u>330,950</u>
Business type activities:	
Food services	<u>4,333</u>

5. Salaries and Benefits Payable

Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014, are summarized as follows:

	Balance Beginning of Year \$	Additions \$	Reductions \$	Balance End of Year \$	Due Within One Year \$
Governmental activities:					
Revenue Bonds	2,990,000	-	150,000	2,840,000	150,000
Capital Leases	51,832	-	51,832	-	-
Termination benefits	265,177	(6,416)	190,086	68,675	58,235
Net OPEB liability	<u>1,171,390</u>	<u>225,331</u>	<u>-</u>	<u>1,396,721</u>	<u>-</u>
Total	<u>4,478,399</u>	<u>218,915</u>	<u>391,918</u>	<u>4,305,396</u>	<u>208,235</u>
Business type activities:					
Net OPEB liability	<u>82,886</u>	<u>17,333</u>	<u>-</u>	<u>100,219</u>	<u>-</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2014, the District has obligations to ten participants with a total liability of \$68,675. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$190,086.

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 29, 2012			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2015	1.00	150,000	63,240	213,240
2016	1.00	150,000	61,740	211,740
2017	1.00	150,000	60,240	210,240
2018	1.25	150,000	58,552	208,552
2019	1.50	150,000	56,490	206,490
2020-2024	1.50-2.65	800,000	236,948	1,036,948
2025-2029	2.65-3.00	945,000	122,830	1,067,830
2030	3.10	<u>345,000</u>	<u>7,518</u>	<u>352,518</u>
		<u>2,840,000</u>	<u>667,558</u>	<u>3,507,558</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,990,000 bonds issued in May 2012. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 35% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,507,558. For the current year, \$150,000 of principal and \$64,740 interest was paid on the bonds and total statewide sales, services and use tax revenues were \$699,679.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- Bonds maturing after January 1, 2017, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$217,475 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$484,505, \$452,603 and \$413,285 respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 98 active and 14 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	395,742
Interest on net OPEB obligation	31,357
Adjustment to annual required contribution	(102,564)
Annual OPEB cost	324,535
Contributions made	81,871
Increase in net OPEB obligation	242,664
Net OPEB obligation beginning of year	1,254,276
Net OPEB obligation end of year	1,496,940

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$81,871 to the medical plan. Plan members eligible for benefits contributed \$20,472.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	\$	%	\$
2010	369,492	13%	320,785
2011	371,663	14%	639,270
2012	408,266	9%	1,013,863
2013	324,478	26%	1,254,276
2014	324,535	25%	1,496,940

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$2,399,952, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,399,952. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,770,000, and the ratio of the UAAL to covered payroll was 50.3%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000.

The UAAL is being amortized over 30 years.

9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$328,996 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
	\$
Gifted and talented	22,370
Teacher salary supplement	86,386
Educator quality, professional development	104,752
Professional development, core curriculum	9,346
Statewide voluntary preschool program grant	23,912
Market factor	5,200
Early literacy	10,763
Teacher leadership	962
Teacher mentoring	5,761
	<u>269,452</u>

12. Early Childhood Iowa Area Board

The District is the fiscal agent for the HAWC Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the District's financial statements as an Agency Fund because of the District's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2014 is as follows:

	Early Childhood Fund (Federal)	Early Childhood Fund (State)	School Ready Fund	Source Other Than ECI Grant Fund	Total
	\$	\$	\$	\$	\$
Revenues:					
State of Iowa ECI grants:					
Early childhood	-	77,545	-	-	77,545
Family support and parent education	-	-	295,593	-	295,593
Preschool support for low-income families	-	-	129,787	-	129,787
Quality improvement	-	-	64,519	-	64,519
Allocation for administration	-	4,081	16,115	-	20,196
Other grant program services	-	-	31,652	-	31,652
Total state of Iowa ECI grants	-	81,626	537,666	-	619,292
Other Source Revenues :					
Contributions	-	-	-	226	226
Decategorization (Area Coordination, etal)	-	-	-	59,238	59,238
Community Wide-PBIS DE grant	-	-	-	3,000	3,000
Total Other Sources	-	-	-	62,464	62,464
Interest on investments	-	10	80	-	90
Total Revenues	-	81,636	537,746	62,464	681,846
Expenditures:					
Program services:					
Early childhood	17,333	71,454	-	-	88,787
Family support and parent education	-	-	295,593	-	295,593
Preschool support for low income families	-	-	125,496	3,000	128,496
Quality improvement	-	-	58,043	4,241	62,284
Other program services*	-	-	38,243	55,223	93,466
Total program services	17,333	71,454	517,375	62,464	668,626
Administration	-	3,099	13,593	-	16,692
Total expenditures	17,333	74,553	530,968	62,464	685,318
Change in fund balance	(17,333)	7,083	6,778	-	(3,472)
Fund balance beginning of year	17,333	-	84,888	-	102,221
Fund balance end of year	-	7,083	91,666	-	98,749
*Other Program Services					
Family Support	-	-	14,625	-	14,625
Child Care Supports	-	-	14,193	-	14,193
Child Care Nurse Consultant	-	-	9,425	-	9,425
Decategorization coordination & projects	-	-	-	55,223	55,223
Total other program services	-	-	38,243	55,223	93,466

13. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2014

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original	Final	\$
Revenues:						
Local sources	4,194,956	240,260	4,435,216	6,251,636	6,251,636	(1,816,420)
State sources	5,408,736	3,748	5,412,484	4,687,743	4,687,743	724,741
Federal sources	278,877	233,872	512,749	530,000	530,000	(17,251)
Total revenues	9,882,569	477,880	10,360,449	11,469,379	11,469,379	(1,108,930)
Expenditures/Expenses:						
Instruction	6,329,463	-	6,329,463	6,440,000	7,200,000	870,537
Support services	2,785,721	-	2,785,721	2,461,500	3,100,000	314,279
Non-instructional programs	-	463,808	463,808	498,000	725,000	261,192
Other expenditures	1,495,506	-	1,495,506	1,511,370	1,511,370	15,864
Total expenditures/expenses	10,610,690	463,808	11,074,498	10,910,870	12,536,370	1,461,872
Excess (deficiency) of revenues over (under) expenditures/expenses	(728,121)	14,072	(714,049)	558,509	(1,066,991)	352,942
Other financing sources (uses) net	88,032	-	88,032	97,000	97,000	(8,968)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(640,089)	14,072	(626,017)	655,509	(969,991)	343,974
Balance beginning of year	4,589,743	(15,211)	4,574,532	3,871,850	3,871,850	702,682
Balance end of year	3,949,654	(1,139)	3,948,515	4,527,359	2,901,859	1,046,656

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment that increased budgeted expenditures by \$1,625,500.

During the year ended June 30, 2014, expenditures did not exceed the amended amounts budgeted.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	2,984,054	2,984,054	0.0%	4,100,000	72.8%
2011	July 1, 2009	-	2,858,574	2,858,574	0.0%	4,080,000	70.1%
2012	July 1, 2009	-	2,729,387	2,729,387	0.0%	4,260,000	64.1%
2013	July 1, 2012	-	2,528,943	2,528,943	0.0%	4,160,000	60.8%
2014	July 1, 2012	-	2,399,952	2,399,952	0.0%	4,770,000	50.3%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	Special Revenue		
	Student	Debt	
Assets	Activity	Service	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	129,106	181,996	311,102
Receivables:			
Accounts	2,442	-	2,442
Total assets	131,548	181,996	313,544
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	181,996	181,996
Student activities	131,705	-	131,705
Unassigned	(157)	-	(157)
Total fund balances	131,548	181,996	313,544
Total liabilities, deferred inflows of resources and fund balances	131,548	181,996	313,544

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2014

	Special Revenue Student Activity	Debt Service	Total
	\$	\$	\$
Revenues:			
Local sources:			
Other	299,476	-	299,476
Expenditures:			
Current:			
Instruction:			
Other	304,330	-	304,330
Other expenditures:			
Long-term debt:			
Principal	-	201,832	201,832
Interest and fiscal charges	-	66,672	66,672
Total expenditures	304,330	268,504	572,834
Excess (deficiency) of revenues over (under) expenditures	(4,854)	(268,504)	(273,358)
Other financing sources (uses):			
Operating transfers in	-	267,004	267,004
Changes in fund balances	(4,854)	(1,500)	(6,354)
Fund balances beginning of year	136,402	183,496	319,898
Fund balances end of year	131,548	181,996	313,544

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2014

	Nonmajor Enterprise		
	School		
	Nutrition	Preschool	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	22,085	23,491	45,576
Accounts receivable	19,949	2,880	22,829
Inventories	4,401	-	4,401
Capital assets, net of accumulated depreciation	35,804	-	35,804
Total assets	<u>82,239</u>	<u>26,371</u>	<u>108,610</u>
Liabilities			
Deferred revenue	9,530	-	9,530
Net OPEB liability	100,219	-	100,219
Total liabilities	<u>109,749</u>	<u>-</u>	<u>109,749</u>
Net position			
Invested in capital assets	35,804	-	35,804
Unrestricted	(63,314)	26,371	(36,943)
Total net position	<u>(27,510)</u>	<u>26,371</u>	<u>(1,139)</u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds

Year ended June 30, 2014

	Nonmajor Enterprise		
	School		
	Nutrition	Preschool	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	214,927	25,320	240,247
Operating expenses:			
Non-instructional programs:			
Salaries	152,550	-	152,550
Benefits	93,786	-	93,786
Purchased services	1,018	-	1,018
Supplies	212,121	-	212,121
Depreciation	4,333	-	4,333
Total operating expenses	463,808	-	463,808
Operating income (loss)	(248,881)	25,320	(223,561)
Non-operating revenues:			
State sources	3,748	-	3,748
Federal sources	233,872	-	233,872
Interest income	13	-	13
Total non-operating revenues	237,633	-	237,633
Change in net position	(11,248)	25,320	14,072
Net position beginning of year	(16,262)	1,051	(15,211)
Net position end of year	(27,510)	26,371	(1,139)

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2014

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Preschool	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	216,228	-	216,228
Cash received from preschool services	-	23,491	23,491
Cash paid to employees for services	(229,003)	-	(229,003)
Cash paid to suppliers for goods or services	(175,129)	-	(175,129)
Net cash (used) provided by operating activities	<u>(187,904)</u>	<u>23,491</u>	<u>(164,413)</u>
Cash flows from non-capital financing activities:			
State grants received	3,748	-	3,748
Federal grants received	195,625	-	195,625
Net cash provided by non-capital financing activities	<u>199,373</u>	<u>-</u>	<u>199,373</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>13</u>	<u>-</u>	<u>13</u>
Net increase (decrease) in cash and cash equivalents	11,482	23,491	34,973
Cash and cash equivalents at beginning of year	<u>10,603</u>	<u>-</u>	<u>10,603</u>
Cash and cash equivalents at end of year	<u><u>22,085</u></u>	<u><u>23,491</u></u>	<u><u>45,576</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(248,881)	25,320	(223,561)
Adjustments to reconcile operating income (loss)			
to net cash used by operating activities:			
Commodities used	38,247	-	38,247
Depreciation	4,333	-	4,333
Decrease (increase) in inventories	(237)	-	(237)
Decrease (increase) in accounts receivable	(314)	(1,345)	(1,659)
Decrease (increase) in federal reimbursement receivable	359	-	359
(Decrease) increase in accounts payable	-	(484)	(484)
(Decrease) increase in deferred revenue	1,256	-	1,256
Increase in other postemployment benefits	<u>17,333</u>	<u>-</u>	<u>17,333</u>
Net cash (used) provided by operating activities	<u><u>(187,904)</u></u>	<u><u>23,491</u></u>	<u><u>(164,413)</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	1,274,779	892,175	2,166,954
Receivables:			
Property tax:			
Delinquent	-	4,296	4,296
Succeeding year	-	12,058	12,058
Due from other governments	250,274	139,065	389,339
Total assets	1,525,053	1,047,594	2,572,647
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	350	-	350
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	12,058	12,058
Income surtax	-	139,065	139,065
Total deferred inflows of resources	-	151,123	151,123
Fund balances:			
Restricted for:			
School infrastructure	1,524,703	-	1,524,703
Physical plant and equipment	-	896,471	896,471
Total fund balances	1,524,703	896,471	2,421,174
Total liabilities and fund balances	1,525,053	1,047,594	2,572,647

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	452,507	452,507
Other	2,296	734	3,030
State sources	699,679	-	699,679
Total revenues	<u>701,975</u>	<u>453,241</u>	<u>1,155,216</u>
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	-	48,000	48,000
Transportation services	22,788	61,510	84,298
Other expenditures:			
Facilities acquisition	744,954	153,052	898,006
Total expenditures	<u>767,742</u>	<u>262,562</u>	<u>1,030,304</u>
Excess (deficiency) of revenues over (under) expenditures	(65,767)	190,679	124,912
Other financing sources (uses):			
Operating transfers out	<u>(267,004)</u>	<u>-</u>	<u>(267,004)</u>
Change in fund balance	(332,771)	190,679	(142,092)
Fund balances beginning of year	<u>1,857,474</u>	<u>705,792</u>	<u>2,563,266</u>
Fund balance end of year	<u><u>1,524,703</u></u>	<u><u>896,471</u></u>	<u><u>2,421,174</u></u>

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Fine arts	2,878	20,036	19,942	-	2,972
Middle school drama	702	623	151	-	1,174
Band	10,404	100	36	-	10,468
Girls basketball	-	6,056	5,614	1,271	1,713
2018 Girls basketball fund	-	1,330	1,330	-	-
2021 Girls basketball	-	1,106	-	-	1,106
General athletics	470	24,525	18,702	(5,980)	313
MS athletic sup. fund balance	-	325	5,379	5,054	-
MS volleyball	791	340	263	-	868
2016 & 2017 boys basketball	23	-	-	-	23
MS track activities fund balance	185	528	-	-	713
MS Cross country	20	206	161	-	65
Cross country	-	635	800	165	-
Cross country activities	272	-	-	-	272
Golf	-	44	655	611	-
Golf activities	118	-	-	-	118
Bulldog basketball club activities	12,515	14,388	15,311	-	11,592
Boys basketball	-	6,263	4,489	(1,774)	-
Football	-	9,044	5,787	(529)	2,728
Football activities fund balance	3,965	13,083	15,500	-	1,548
Youth football club	1,459	-	935	-	524
Baseball fund balance	(1)	1,551	3,757	2,760	553
Baseball activities	1,407	5,273	5,951	-	729
Boys track	80	2,173	4,515	1,923	(339)
Wrestling fund balance	-	2,385	6,134	3,749	-
Wrestling club fund balance	3,642	4,043	5,224	2,000	4,461
Youth wrestling	5,190	26,730	27,252	(2,000)	2,668
Volleyball fund balance	-	1,389	2,957	164	(1,404)
Bulldog volleyball club balance	1,618	2,397	1,567	-	2,448
Softball fund balance	-	2,486	3,568	964	(118)
Softball activities fund balance	2,988	4,654	3,036	-	4,606
Girls track fund	65	65	2,430	2,572	272
Girls track activities	257	358	358	-	257
Cheerleaders	1,274	2,632	3,384	-	522
Dance team fund balance	671	5,706	3,948	-	2,429
Speech & drama activities	-	5,479	4,457	(120)	902
FFA	14,988	23,503	20,967	(3,038)	14,486
High school student council	3,030	11,956	12,652	-	2,334
Middle school student council	2,309	3,769	3,908	-	2,170
Young Americans	2,058	6,578	7,302	-	1,334
Middle school peer helpers	-	46	-	-	46

See accompanying independent auditor's report.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
High school peer helpers	197	-	-	-	197
Class of 2020	-	14,653	10,784	-	3,869
Class of 2019	4,543	7,816	13,522	1,283	120
Class of 2018	142	2,757	2,648	-	251
Class of 2017	3,363	-	35	(2,404)	924
Class of 2016	1,811	175	426	2,404	3,964
Class of 2015	1,526	21,353	13,479	120	9,520
Class of 2014	7,337	10	2,734	(2,000)	2,613
Class of 2013	742	-	-	-	742
Class of 2012	5,429	-	113	-	5,316
Music resale	(1)	539	484	-	54
Yearbook	1,507	11,355	15,790	2,628	(300)
Student activity tickets	(85)	11,492	1,723	(9,632)	52
Elem. fund raising	10,218	8,225	9,498	-	8,945
M.S. fund raising	1,093	8,744	9,520	-	317
HS fund raising	2,733	1,370	4,348	-	(245)
MS class trips	376	-	250	-	126
Electrathon team	295	260	294	-	261
Pepsi (McG)	-	1,798	1,558	(191)	49
FFA savings	21,152	32	-	-	21,184
Cash on hand	100	-	-	-	100
Beginning accruals	-	(5,350)	(1,298)	-	(4,052)
Ending accruals	546	2,442	-	-	2,988
Total	136,402	299,476	304,330	-	131,548

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2014

	HAWC Early Childhood Iowa Board	Little Bulldog Childcare	Dr. Smith Childcare Center	Employee Memorial	Total
	\$	\$	\$	\$	\$
Balance begin of year Adjusted	102,221	87,202	(52,447)	449	137,425
Additions:					
Collections	681,846	221,229	134,920	655	1,038,650
Deductions:					
Miscellaneous	685,319	187,089	160,781	200	1,033,389
Balance end of year	98,748	121,342	(78,308)	904	142,686

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	3,558,617	4,157,971	4,198,231	3,925,636	3,740,863	3,576,842	3,419,092	3,418,679	3,280,104	3,317,657
Tuition	163,087	175,435	181,136	142,656	139,533	180,640	175,375	141,766	145,874	120,848
Other	473,252	459,083	585,211	468,181	408,037	581,451	625,741	608,135	481,720	437,260
Intermediate sources	-	-	-	-	-	1,000	-	1,151	2,441	-
State sources	5,408,736	4,593,538	4,295,383	4,414,240	3,860,409	4,543,606	4,550,235	4,382,392	4,202,997	4,160,293
Federal sources	278,877	279,889	315,836	557,005	899,279	305,353	243,652	215,634	204,975	241,235
Total revenues	<u>9,882,569</u>	<u>9,665,916</u>	<u>9,575,797</u>	<u>9,507,718</u>	<u>9,048,121</u>	<u>9,188,892</u>	<u>9,014,095</u>	<u>8,767,757</u>	<u>8,318,111</u>	<u>8,277,293</u>
Expenditures:										
Instruction:										
Regular	3,843,816	3,466,575	3,866,348	3,279,161	3,597,272	3,382,648	3,169,523	3,275,897	3,060,145	2,962,300
Special	983,242	938,303	993,805	988,309	875,152	1,119,005	958,194	786,879	764,176	750,216
Other	1,502,405	1,536,969	1,381,465	1,418,823	1,431,233	1,297,396	1,176,705	1,090,837	941,952	884,218
Support services:										
Student	169,013	137,452	108,306	116,566	95,078	100,377	231,868	226,374	237,145	298,729
Instructional staff	105,820	80,068	83,834	107,581	140,965	142,376	137,531	140,152	143,944	133,498
Administration	1,115,579	1,068,257	991,470	916,593	1,019,805	937,912	869,170	828,117	780,254	848,247
Operation and maintenance	829,241	776,864	729,141	738,377	740,021	724,526	743,054	663,532	626,690	572,891
Transportation	566,068	527,530	456,326	532,052	495,260	533,481	504,467	444,979	469,674	380,805
Non-instructional programs	-	-	-	-	-	-	4,000	-	-	8,254
Other expenditures:										
Facilities acquisition	898,006	2,217,754	952,369	565,656	701,926	733,599	357,812	569,506	388,504	577,333
Long-term debt:										
Principal	201,832	51,370	103,209	-	405,000	90,000	210,000	105,000	100,000	100,000
Interest and other charges	66,672	39,419	32,997	-	15,858	15,562	21,529	26,576	29,361	32,198
AEA flowthrough	328,996	318,441	315,818	356,773	357,089	318,417	313,344	304,120	294,529	294,915
Total expenditures	<u>10,610,690</u>	<u>11,159,002</u>	<u>10,015,088</u>	<u>9,019,891</u>	<u>9,874,659</u>	<u>9,395,299</u>	<u>8,697,197</u>	<u>8,461,969</u>	<u>7,836,374</u>	<u>7,843,604</u>

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Independent Auditor's Report on Internal Control
Over Financial Reporting and on compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
MFL MarMac Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of MFL MarMac Community School District and of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MFL MarMac Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MFL MarMac Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of MFL MarMac Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 14-I-A and 14-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MFL MarMac Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

MFL MarMac Community School District's Responses to the Findings

MFL MarMac Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. MFL MarMac Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of MFL MarMac Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 30, 2015

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

14-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, payroll processing, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

14-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- 14-II-A Certified Budget: Expenditures for the year ended June 30, 2014, the amended certified budget amounts were not exceeded
- 14-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 14-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 14-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 14-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 14-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 14-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 14-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 14-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 14-II-J Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.
- 14-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 14-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

MFL MARMAC COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting (continued):

	\$	\$
Beginning balance		1,857,474
Revenues/transfers in:		
Statewide sales, services and use tax revenue	699,679	
Other income	<u>2,296</u>	701,975
Expenditures/transfers out:		
Transfers to debt service	267,004	
Facilities and equipment	<u>767,742</u>	<u>1,034,746</u>
Ending balance		<u>1,524,703</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.

14-II-M Deficit Balances: The School Nutrition Fund has an unrestricted deficit balance at June 30, 2014.

Recommendation: The District should continue to monitor this fund and investigate alternatives to eliminate the deficits.

District Response: We are working on ways to eliminate the deficits.

Conclusion: Response accepted.